



Proposed Annual Budget Presentation

“A Fresh Start for Long Beach”

FISCAL YEAR JULY 1, 2020 –
JUNE 30, 2021

City Council >> John Bendo, President • Karen McInnis, Vice President • Michael A. Delury • Scott J. Mandel • Elizabeth M. Treston
City Manager>> Donna Gayden >> **City Comptroller** Inna Reznik

Agenda

1. Introduction
2. Budget Process
3. Budget Highlights
4. NY State Comptroller Reports



Introduction



City's Priorities and Goals

A fresh start for Long Beach

- Increase existing/source new revenue streams
- Develop future budgets with realistic revenues and expenditures
- Back to positive fund balance
- Multiyear plan



History of Financial Challenges

2011 City on the verge of insolvency

Moody's Downgrades city's bond rating five notches to Baa3 from A3.

2012 Superstorm Sandy causes \$120MM of damages to city's infrastructure

2014 NYS Comptroller Fiscal Stress score improves to "Moderate Fiscal Stress"

2015 Bond rating upgraded one notch to Baa2 with a positive outlook

2016 Bond rating upgraded one additional notch to Baa1 with a positive outlook, City's finances trending in the right direction

2018 City is ranked as the second most fiscally stressed community in New York State by the New York State comptroller

2019 Moody's downgrades the City's bond rating to Baa2 with a negative outlook

2020 COVID-19 pandemic

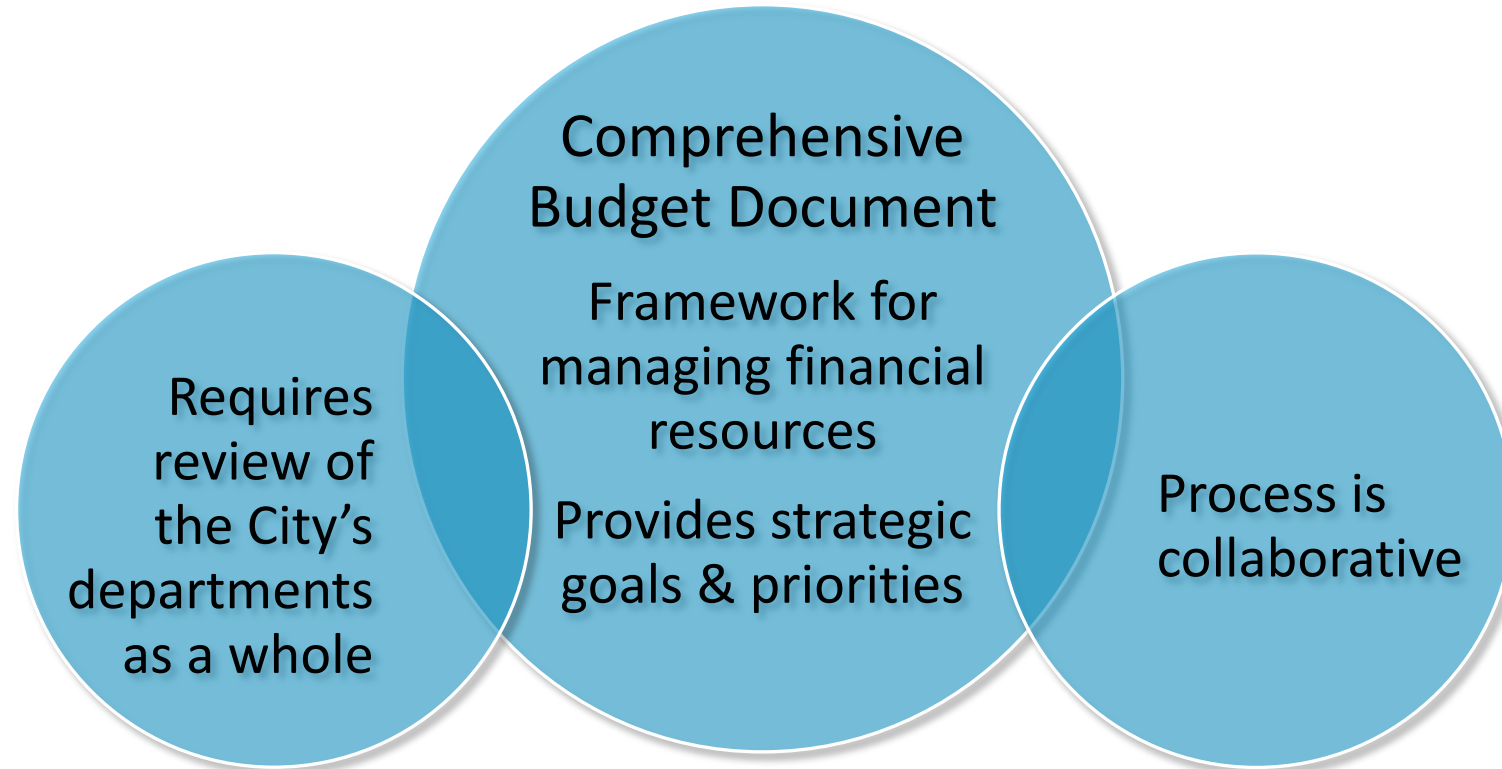
City Council passed \$4.25 million deficiency note to fund lost revenue. City projects shortfall of approximately \$4.2MM through the end of its fiscal year

History of Structural Imbalances

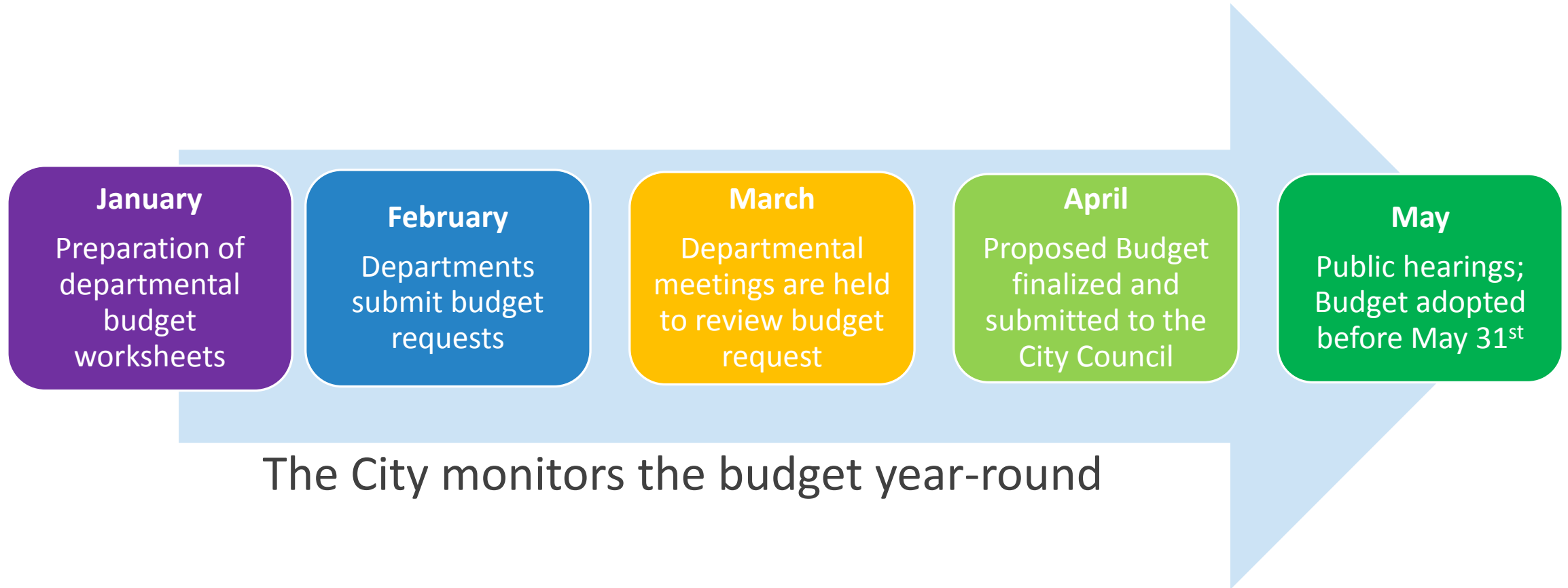
- The City's adopted budgets and financial monitoring resulted in annual operating deficits in the general fund that totaled \$8.5 million over the last 4 fiscal years (average of \$2.1 million per year)
- Total general fund balance decreased 97.2% from \$9.9 million at June 30, 2014 to \$285,000 as of June 30, 2019
- The rapid decline in fund balance resulted from poor budgeting practices by City officials, including unrealistic estimates of revenues, the use of non-recurring funding sources in the general fund and lack of financial planning
- Over the past few years, the Council and City officials also underestimated expenditures and/or overestimated revenues, resulting in larger operating deficits and a greater reliance on fund balance than was planned

Budget Process

Budget Process



The City's annual budgeting process is an opportunity to convey the City's framework for managing the City's financial resources, strategic goals and accomplishments.




Prime Indicators Point to Bleak Reality



Decrease in City's Fund Balance

from \$20.4M at 6/30/15 to **(\$6.5M)** at 6/30/2019



Moody's downgraded the City's bond rating to Baa2 with a negative outlook



NYS Comptroller Fiscal Stress Score Deterioration

City is ranked as the most fiscally stressed community in New York State by the State Comptroller

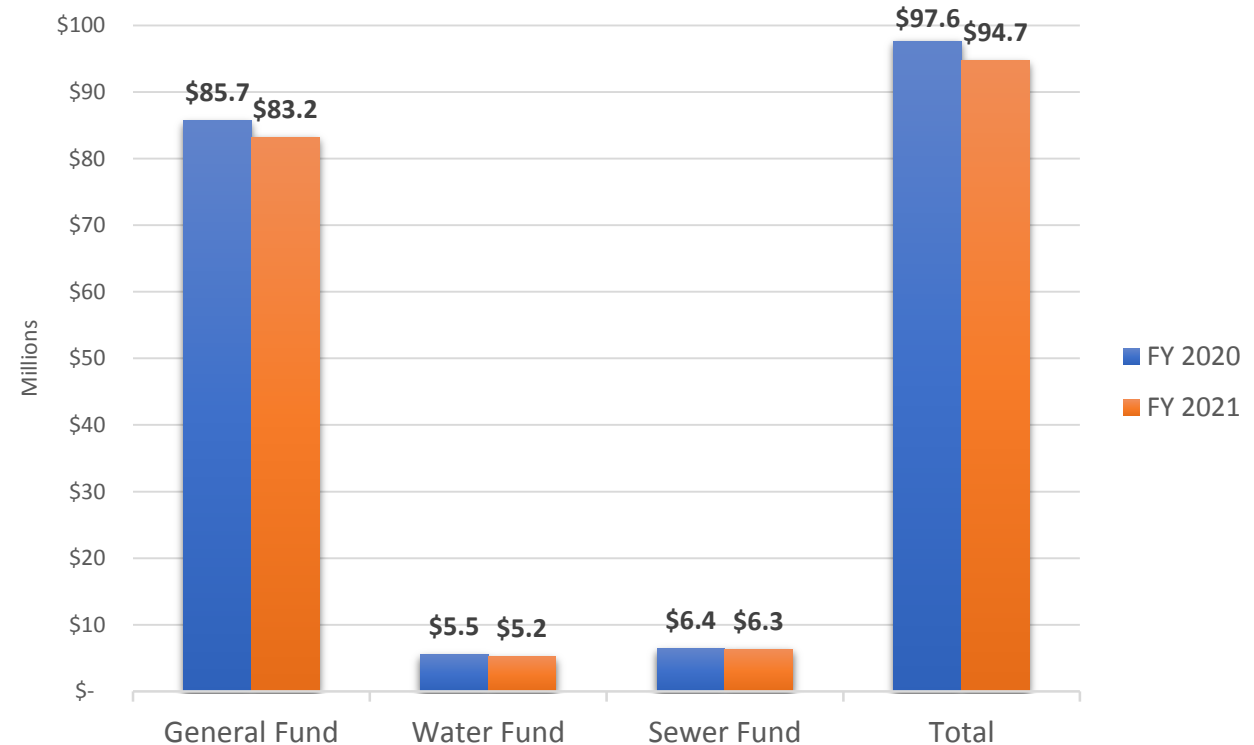
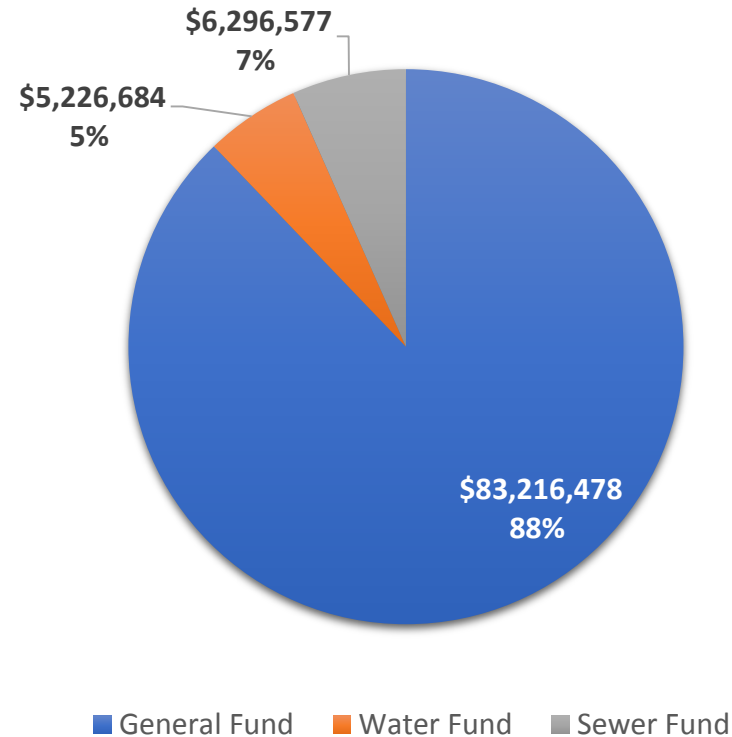


City has exceeded Governor Cuomo's tax cap for the past two years

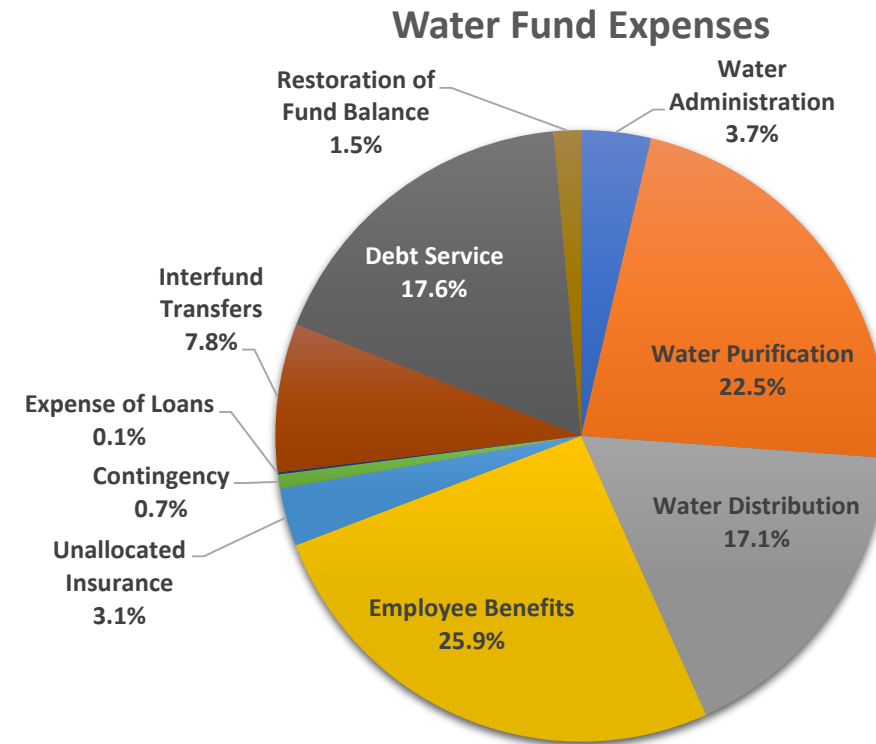
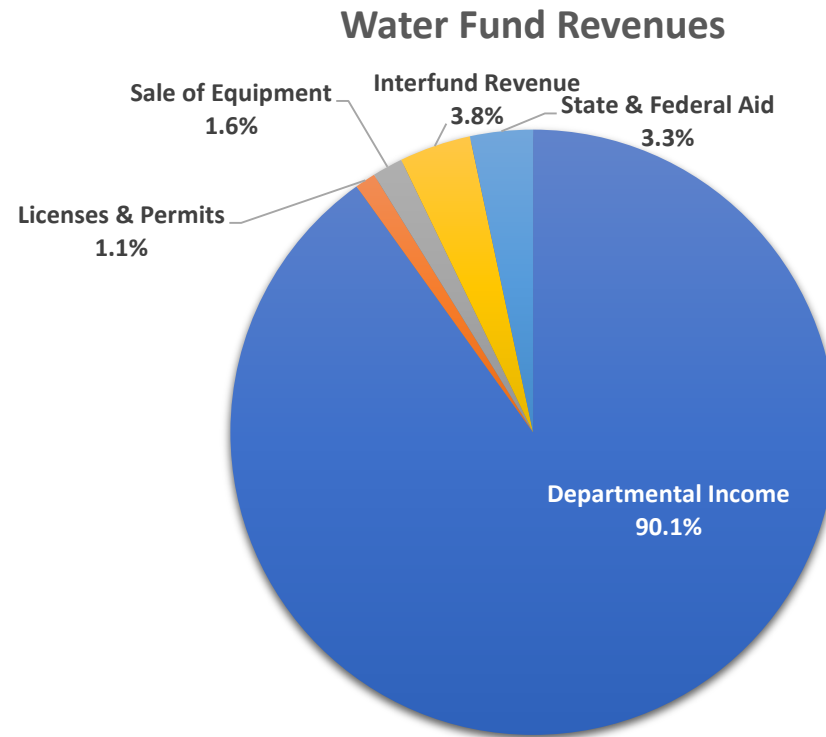
Budget Highlights

Proposed Operating Budget Overview

The proposed operating budget for fiscal year 2020-21 totals \$94,739,739, a decrease of \$2.9 million from the City's fiscal year 2019-20 adopted budget.



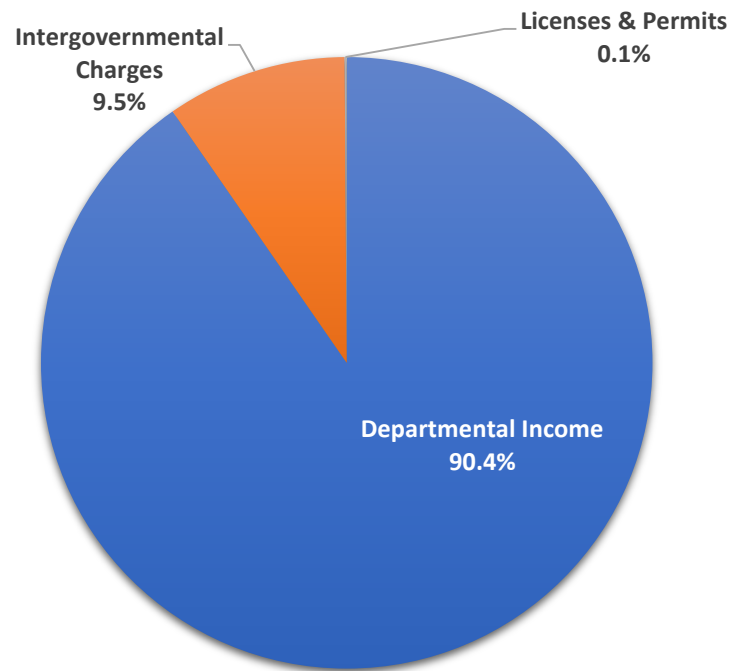
Proposed Budget Overview – Water Fund



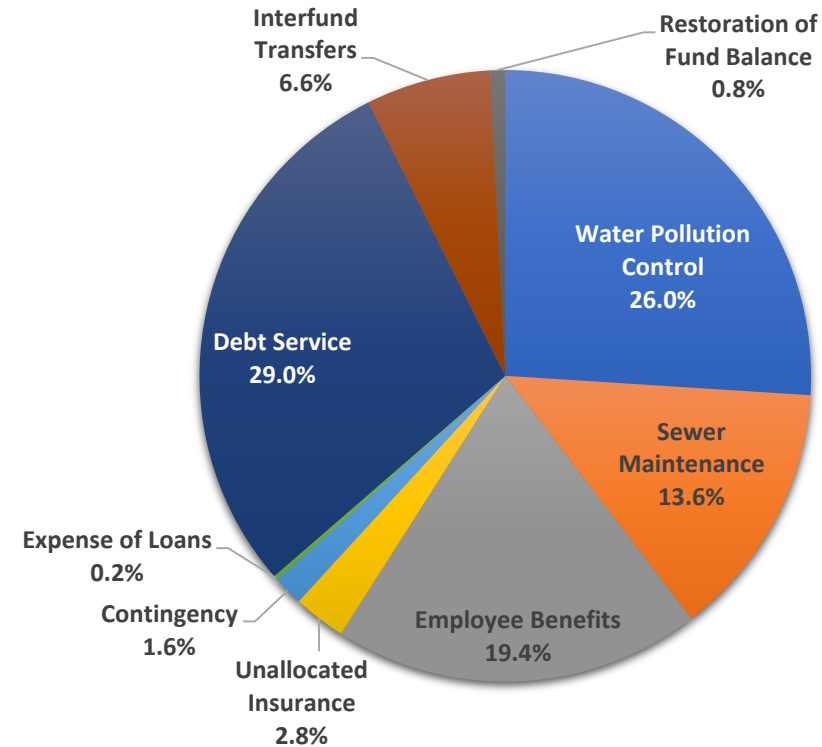
Total Proposed Water Budget - \$5,226,684

Proposed Budget Overview – Sewer Fund

Sewer Fund Revenues



Sewer Fund Expenses



Total Proposed Sewer Budget - \$6,296,577

How Your Tax Dollars are Spent

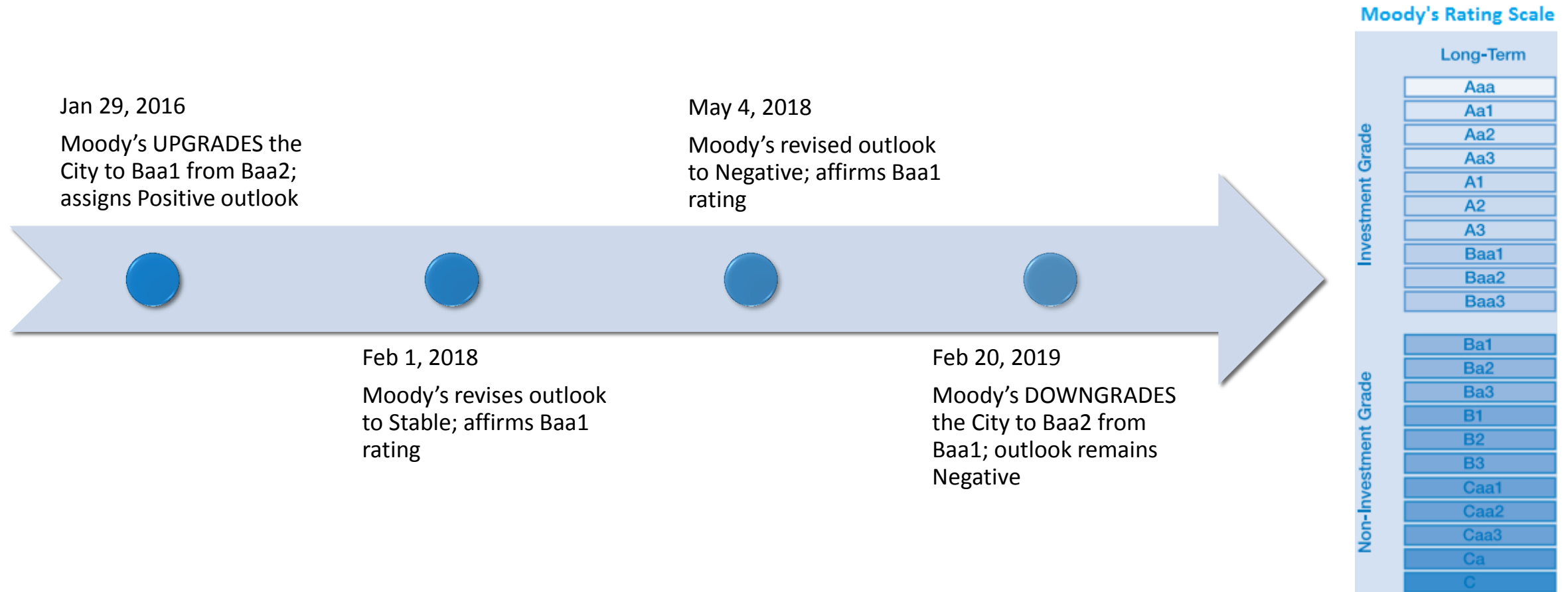


*Other –
 Interfund Transfers (3.7%);
 Transportation (2.6%);
 Restoration of Fund
 Balance (0.7%);
 Economic Opportunity &
 Development (0.3%);
 Education (0.2%)

Declining Fund Balance

| Fund | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 |
|---------------|----------------------|----------------------|----------------------|---------------------|-----------------------|
| General | \$ 9,134,864 | \$ 7,548,349 | \$ 8,364,799 | \$ 3,151,044 | \$ 285,248 |
| Water | 1,843,474 | 1,632,304 | 1,334,891 | 985,969 | 920,951 |
| Sewer | 262,748 | 491,947 | 593,340 | 362,151 | (81,809) |
| Debt Service | 1,165,999 | 866,554 | 592,747 | 598,674 | 369,570 |
| Capital | 13,672,420 | 7,983,050 | 10,365,315 | 2,226,699 | (4,490,223) |
| FEMA | (5,575,924) | (7,267,371) | (2,038,424) | (2,200,915) | (3,628,839) |
| Special Grant | (89,582) | (41,933) | 34,887 | 31,937 | 82,415 |
| Total | \$ 20,413,999 | \$ 11,212,900 | \$ 19,247,555 | \$ 5,155,559 | \$ (6,542,687) |

Deteriorating Credit Rating



Property Tax and Levy

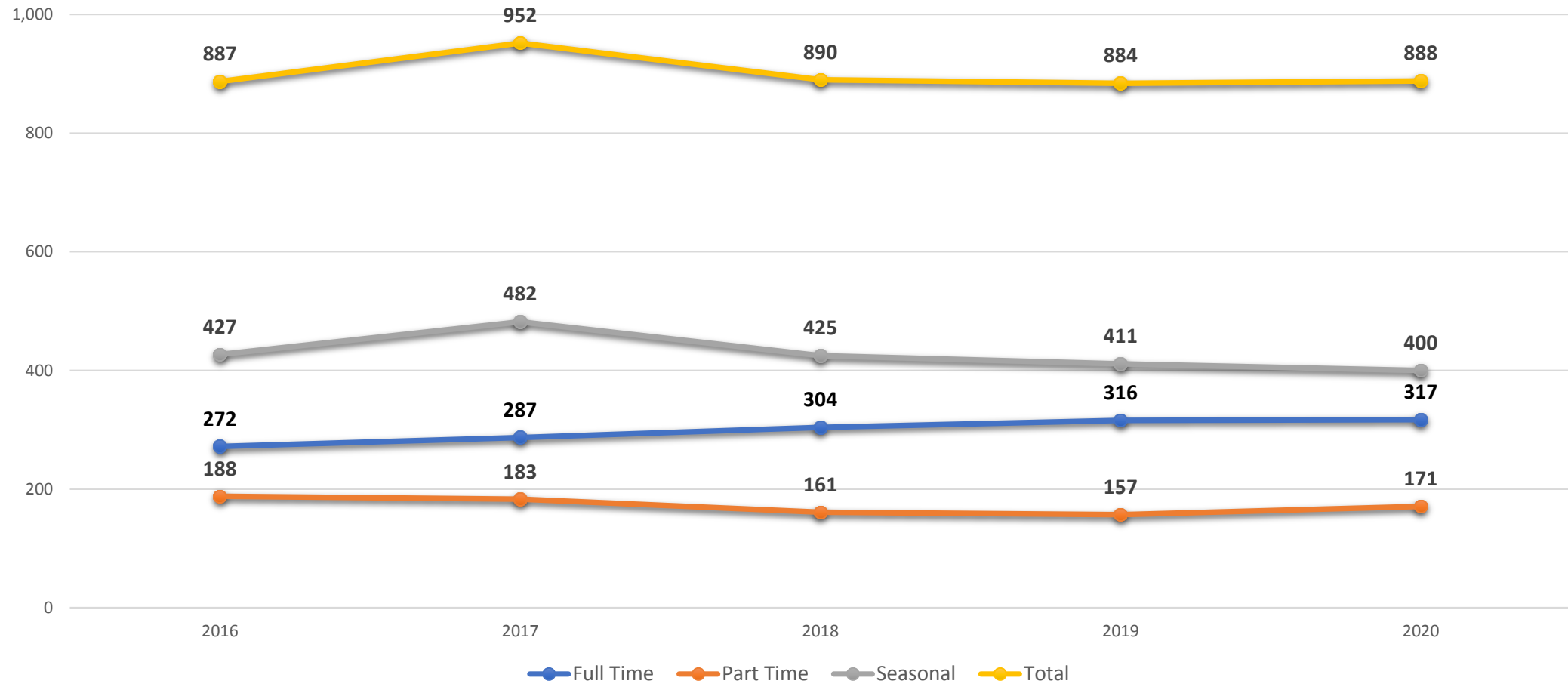
Remains within Governor's Tax Cap

- The fiscal year 2020-21 proposed tax levy remains within the Governor's tax cap for the first time in three years, increasing 1.81% for residents.

Tax Levy

- The 2020-21 proposed budget includes a tax levy of \$46,926,234, an increase of 3.68% from fiscal year 2019-20.

Right-Sizing the Workforce



NYS Comptroller Reports

BUDGET REVIEW AND FISCAL STRESS TEST

NYS Comptroller Fiscal Stress Test

The Fiscal Stress Monitoring System provides:

- An early warning of fiscal stress for local governments and school districts
- Feedback to stakeholders about stress conditions to help alleviate causes
- Three Categories of Stress: Significant----Moderate----Susceptible

Financial Indicators:

Determines placement on stress list

- Year-end fund balance
- Operating surpluses/deficits
- Cash positions
- Use of short-term debt for cash flow
- Fixed costs

Environmental Indicators:

Provide context

- Population, age and poverty
- Property values and employment
- Dependence on revenue from other government units
- Constitutional tax limit
- Sales tax revenue



NYS Comptroller Fiscal Stress Test

The City has been designated with SIGNIFICANT Fiscal Stress for the past three years, with its stress score increasing by 51.2% since the fiscal year ended June 30, 2015.

| | FY 2014-15 | FY 2015-16 | FY 2016-17* | FY 2017-18 | FY 2018-19* |
|--|----------------|------------|-------------|-------------|-------------|
| Total Score | 33.8% | 58.3% | 80.8% | 80.8% | 85.0% |
| Score Classification | No Designation | Moderate | Significant | Significant | Significant |
| * City received highest stress scores in New York State for 2017 and 2019 fiscal years | | | | | |

NYS Office of State Comptroller Findings

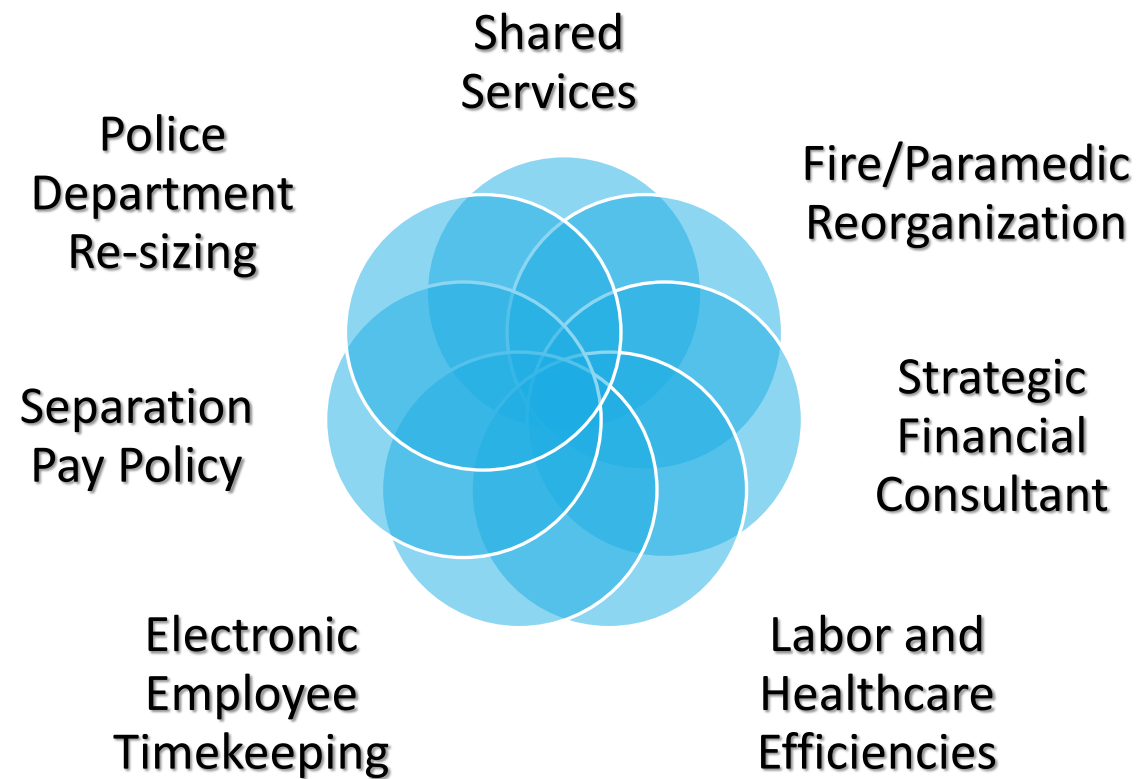
- The City's adopted budgets and financial monitoring resulted in annual operating deficits in the general fund that totaled \$8.5 million over the last 4 fiscal years (average of \$2.1 million per year)
- Total general fund balance decreased 68% from \$9.9 million at June 30, 2014 to \$3.2 million as of June 30, 2018
- Approximately \$4 million of this fund balance is either restricted for a specific purpose or in non-spendable form at the end of the 2017-18 fiscal year, leaving an unassigned fund balance deficit of \$813,994
- The rapid decline in fund balance resulted from poor budgeting practices by City officials, including unrealistic estimates of revenues, the use of non-recurring funding sources in the general fund and lack of financial planning
- Over the past few years, the Council and City officials also underestimated expenditures and/or overestimated revenues, resulting in larger operating deficits and a greater reliance on fund balance than was planned



NYS Office of State Comptroller Recommendations

- Adopt structurally balanced budgets that contain realistic estimates of revenue and finance recurring expenditures with recurring operating revenues instead of debt
- Prepare a multiyear financial plan, including a fiscal improvement plan
- The Council must adopt realistic and structurally balanced budgets based on historical or known trends, in which sufficient recurring revenue finance recurring expenditures
- Once the budget is adopted, the Council, as well as the City Manager, will monitor actual results in comparison to the budget. If actual results are not in accordance with the budget, it is important for the Council to take prompt action to adjust the budget and monitor operations to stay within the adjusted budget

NYS Financial Restructuring Board Findings and Recommendations - June 2019 Comprehensive Review Report



Thank You



www.longbeachny.gov

info@longbeachny.gov

Twitter.com/longbeach11561

(516) 431-1000

LBNY App